

TOP SECRET

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GENERAL

1. Analysis of Soviet-Satellite propaganda--In reporting Soviet press reaction to President Truman's declaration of a state of national emergency, US Embassy Moscow comments that the Soviet people have now received their first indication that increased world tension may affect the "peaceful construction work and internal improvements" of the regime. The Embassy speculates that this warning may foreshadow a strengthening of Soviet military preparations but points out that the total press reaction was not so vigorous as to be inconsistent with the Soviet "peace policy."

Concerning propaganda on the subject of German rearmament, the Embassy reports that the change in emphasis by the Berlin Soviet-controlled press, from stress on general US plans for world conquest to the danger of war in Europe, has not been paralleled by the Moscow press. The Embassy points out that this change in the Berlin press could be an effort to block West German participation in NATO or could reveal an intention to provoke military conflict.

Meanwhile, the US Military Attache in Budapest reports that official Hungarian propaganda is generally following the "peace" line and the Hungarian people are being psychologically prepared for offensive warfare only against Yugoslavia. The Attache notes that the Hungarian press has contained no indication of President Truman's having made a statement concerning the use of the atom bomb and that the Hungarian people are not being psychologically prepared at this time against attack by atom bombs.

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DIA review(s) completed.

STATE review(s) completed.

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T O P S E C R E T

2. Netherlands reaction on New Guinea question--US Embassy
The Hague expresses the view that the Netherlands Government will not initially accept the modified Indonesian proposal for the transfer to Indonesia of sovereignty over Netherlands New Guinea. The Embassy observes that the provision requiring an immediate Dutch pledge to transfer sovereignty is "basically antithetical in tone" to the Netherlands position as heretofore expressed and that the government could not accept the proposal until it had been submitted to parliamentary debate in the States General, where the Embassy believes opposition would be substantially greater than in the 1949 debate on the transfer of sovereignty to the Republic of Indonesia.

EUROPE

3. ITALY: Estimate of Italian opinion--US Embassy Rome
estimates, concerning present official and non-official Italian attitudes toward the international situation, that:
(a) military and foreign office officials seem to "lead the field" in their awareness of the danger posed by the USSR and the need for prompt measures and feel that Italy has a chance of being able to defend itself; (b) most of the remainder of the government, and many of the intelligentsia and politically conscious elements, are beginning to realize the gravity of the situation but feel that Italy is incapable of undertaking a rearmament program large enough to succeed; and (c) the general population is completely apathetic owing largely to a state of war weariness so profound as almost to constitute combat fatigue. The Embassy further notes that only timid moves towards industrial mobilization have been made and that the government is not attempting to rouse the feelings of the people. The Embassy believes, however, that as the public becomes more conscious of the growing strength of Italy and the Western Powers, the attitude of the population will gradually improve.

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Meanwhile, the Embassy reports that Italian Communist propaganda is laying more stress on military defeatism and is undoubtedly proving effective in helping maintain among non-Communists that lack of a sense of national emergency which is making it so difficult for the government to re-arm Italy, physically as well as morally. The Embassy also expresses the view that the violent Communist reaction to the recent sabotage bill may presage stronger and more extensive Communist action in the field of labor.

4. GERMANY: Socialist reaction to Brussels conference--
The US High Commission in Bonn reports that two leaders of the German Social Democratic Party regret Socialist leader Schumacher's initial negative reaction to the results of the Brussels conference and express the view that the SPD should not take a position until more details are known. The High Commission believes that "restraints will be applied" to Schumacher and concludes that if Schumacher is ready to cooperate, as the two Socialist leaders implied, and if Chancellor Adenauer can be persuaded to associate opposition deputies with negotiations, prospects will be much brighter than in past weeks both for a satisfactory negotiation of the German contribution to Western defense and a revised statute governing relations between the Federal Republic and the occupying powers.

FAR EAST

5. INDOCHINA: Improvement in French position noted--US Legation Saigon notes both a lessening of Vietnamese mistrust of the French and a growing support for Bao Dai's regime as a

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result of: (a) widening public realization that France has finally granted real independence to Vietnam in the Pau Accords; (b) awareness of the implications for Indochina of Chinese aggression in Korea; and (c) Bao Dai's recent public appearances and statements. The Legation points out, however, that this gradual improvement is being compromised by delays in forming a national Vietnamese army and in effecting changes in the unimpressive and unpopular Vietnamese Government.

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